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C O N F I D E N T I A L SECTION 01 OF 02 KABUL 000022

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TREASURY FOR LMC DONALD, MNUGENT, JCSAL, AKIFAYAT

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TAGS: [EFIN](#) [EAID](#) [PGOV](#) [PREL](#) [AF](#)
SUBJECT: AFGHANISTAN: "TEN MILLION DOLLARS A DAY" LEAVING
THE COUNTRY?

REF: 09 KABUL 3364

Classified By: CDDEA Ambassador E. Anthony Wayne for reasons 1.4 (b) and (d).

¶1. (C) Summary: On December 26, the U.S. Treasury Attache and a representative of the Border Management Task Force participated in an impromptu meeting between Afghan Minister of Finance Zakhilwal and Central Bank Governor Fitrat. The Minister and Governor discussed Minister Zakhilwal's recent public statement that an estimated \$10 million in assorted currencies is leaving Kabul International Airport each day (based on a U.S. co-sponsored sampling). They considered ways to streamline reporting to increase fidelity in tracking data. They also agreed to form a "commission" to study the issue of monies leaving and entering Afghanistan and vowed to fully cooperate (including resource sharing) in this endeavor. (Note: This meeting stemmed from widespread media reporting and public inquiry surrounding Zakhilwal's statement and a similar statement by Ambassador Wayne at an Embassy-sponsored seminar on bulk cash smuggling lead by DHS.) End summary.

EXAMINING ROLES AND RESPONSIBILITIES
ON ADDRESSING BULK CASH SMUGGLING
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¶2. (C) On December 26, EmbOffs met with Minister of Finance Zakhilwal, Governor Fitrat, Director General Mustafa Massoudi (Financial Intelligence Unit), and General Jabarkhil (Afghan Border Police Airport Operations) to discuss Minister Zakhilwal's recent public comments that \$10 million in assorted currencies is leaving Kabul International Airport each day. As part of the meeting, the Minister and Governor explored ways to streamline and make more transparent the reporting system on bulk cash movements. (Note: The Embassy was invited to this meeting to observe and provide technical recommendations.)

¶3. (C) Governor Fitrat began the meeting by pointing out that the Central Bank's role is to collect the cash declaration forms at the airport from Customs, analyze them, and provide their results to law enforcement for further investigation. He said it is the Ministry of Finance's role (through Customs) to monitor passengers, collect cash declarations, and verify the amounts. The Governor also indicated that Minister Zakhilwal's statement regarding money leaving the country has created a media firestorm and raised many questions about capital flight among the public. (Note: The Governor and FIU director have been approached on numerous occasions by the press and others within government during the past several days for an explanation. According to the Central Bank, Afghans believe the money leaving is all tied to high-level corruption or terrorism.)

DECONSTRUCTING THE AFGHAN MONEY MODEL
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14. (C) Minister Zakhilwal thanked the Governor for his views and willingness to cooperate. He also thanked the U.S. for continued support and asked for assistance in this area moving forward. He said his figure of \$10 million per day is strictly an average based on other data he has received from a U.S. co-sponsored sampling over a short period at Kabul Airport. The Minister also said an unnamed airline executive recently told him huge sacks of money are going out through Kabul International Airport all the time. (Note: It was unclear whether or not the Minister believed this money was typically subjected to Customs inspection or was loaded directly onto planes at the ramp.) He pointed out that the Ministry of Finance and Central Bank should work cooperatively to discover whether these monies are "legal" or "illegal" and whether or not they have been taxed. The Minister said that there are many legitimate reasons why the money might be leaving via bulk cash. For one, traders may view it as more time efficient and less expensive than banks.

However, he said neither the Ministry of Finance nor the Central Bank know for sure the true origin of such vast amounts of money and the "people deserve to know where this money came from and why it is going out." (Note: We observed that Governor Fitrat was deferential to the Minister throughout. The meeting was also held in the Minister's office vice the Central Bank which is an indication of the Minister's political authority vis--vis Governor Fitrat.)

A NEW COMMISSION ON BULK CASH SMUGGLING

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15. (C) General Jabarkhil interjected and said the Central Bank should "take responsibility, verify the money, and approve it before it can be taken out of the country." The Governor said that this is "impossible" and not within the Central Bank's remit. With this, Minister Zakhilwal suggested that a "commission" be formed to: i) review the procedures, ii) revise the currency declaration form; and iii) better coordinate on this issue. He also agreed to give the Central Bank office space at the airport (likely shared space with Customs) and indicated that he wanted to be personally involved with making sure a control regime would be instituted. Both he and the Central Bank Governor were in agreement they must collectively work to achieve better fidelity on monies flowing into and out of the country.

NEXT STEPS

16. (C) Next Steps: On Monday, December 28, the first "commission" meeting took place at Kabul International Airport and included Afghan Customs, Border Police, intelligence, and representatives from the Central Bank. Treasury and BMTF were present. The meeting laid the groundwork for: i) streamlining and strengthening customs controls at the airport; ii) reviewing and improving the cash declaration form; and iii) opening a working, functional forum for stronger cooperation and communication. Following the meeting, BMTF - working with DynCorp - initiated Operation Fly Away III to detect bulk cash and train Afghan Customs on techniques and procedures.

COMMENT

17. (C) While reports on capital flight and bulk cash smuggling are not new, the Government of Afghanistan is presently under more scrutiny over these issues than at any time before. This media scrutiny is pushing the government to understand the regional money model and take steps to tighten controls at Kabul International Airport and within the Ministries of Finance and Interior, as well as the Central Bank. Post sees this as a positive development, as

key Afghan interlocutors are now working together and aware of the importance of this issue.

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